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SUBJECT: UNDEF ADVISORY BOARD MEETING FOCUSES ON
ACCOUNTABILITY

REF: SECSTATE 46673

¶1. (SBU) The UN Democracy Fund (UNDEF) held its Fourth Advisory Board meeting on April 10. The UNDEF Secretariat presented an overview of the recent progress of the Fund, claiming that all projects in the pipeline had been processed, and project implementation was underway. Of the 125 projects initially approved, 122 were going forward, two had been canceled, and one suspended indefinitely. In regard to Fund recruitment and staffing, interviews are set to begin for the Director position in ten days, to be completed by May 4, with final selection to take place shortly thereafter. Program Officer positions will be filled with the assistance of the new Director once he/she is in place. With a view toward greater transparency, monthly progress reports will now be given to the Advisory Board members, and UNDEF staff will be available to answer follow up questions at any time. The budget will go to ACABQ for review in June.

Board Members Question Results:

¶2. (SBU) Board members were then given the opportunity to comment. U.S. Ambassador Terry Miller began, noting his appreciation for the increased flow of information from the Secretariat. He added however, that information received

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from U.S. posts had been frequently at odds with updates provided by the Secretariat. Of fifty-three cables received by the US Mission to date, fully twenty-three directly contradicted the Secretariat's status reports in regard to disbursement of funds. Ambassador Miller read critical comments from several projects, including Argentina, the Asia-Pacific region, Bolivia, Chile, and Costa Rica, and asked the Secretariat for clarification of their definition of "disbursement completed." He also questioned the unanticipated addition of UNDP to the process, which added an additional bureaucratic layer for grant recipients, and significant costs to the Fund. Finally, after review of the budget information, Ambassador Miller noted his surprise at the amount of money expended for travel, and encouraged frugality on the part of the Secretariat.

¶3. (SBU) The French delegation intervened briefly, noting their appreciation for the Secretariat's accounting of the funds, and praising the detail in the reports. Ambassador Sen of India followed, voicing his concern and agreement with the United States. He stated that in addition to the information provided, it was important that the Board know the exact status of the projects on the ground, as most are in developing countries. "We do not want to hear that funds have been disbursed but nothing is happening." Ambassador Sen added that the typical fund amount of \$300,000 is a "huge" amount in the Third World. He noted his surprise at the UNDP five percent surcharge, commenting that we need to examine their role in this process, as many of their services

seem to be duplicative - especially in countries where UNDP is already working. Ambassador Sen then questioned the abandonment of a democracy project in Bangladesh after the government canceled the elections - especially as this is where such a project is needed most. In regard to travel, Sen again voiced support for the US view, and urged caution with administrative expenditures.

¶4. (SBU) Ambassador Munoz of Chile then took the floor, also demanding an explanation of what was meant by "disbursement completed" and noting that a delay in disbursements could have a significant negative impact on projects. He caustically questioned the Secretariat's travel, noting the frequency of events in places like Madrid, Hungary, and Vienna, and inquiring "What benefits were derived from trips like these - why just in Europe?" He commented that other parts of the world would have been pleased to see UNDEF participation, and that the Secretariat must be prudent with their travel costs.

¶5. (SBU) The representative from Qatar somewhat angrily pointed out to the Board that UNDEF salaries were different, significantly higher than elsewhere in the UN, and did not comply with the salary guidelines. For example, the Executive Head salary was noted in the UNDEF Budget as \$147,000, while normally it is \$126,000. By Qatar's calculations, the level of compensation for UNDEF staff exceeds salaries elsewhere in the UN by thirty percent.

¶6. (SBU) Board Member Professor Michael Doyle of Columbia University commented that many of the project summaries provided by the Secretariat had been inadequate, and would be more useful if they simply answered "who, what, when, how." Hungary came to the Secretariat's defense, noting that in their view, "We need to be generous with administrative costs," and that five percent UNDP management fee was not too high. In addition, travel was necessary to publicize the Fund, and UNDEF should be present at all of these events.

Secretariat's Defense:

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¶7. (SBU) Acting UNDEF Director Magdy Martinez Soliman responded to the Board's questions on behalf of the Secretariat and thanked the Board for "keeping him on his

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toes." He noted that money had been sent out to 110 projects, but the process differed depending on whether the money was directed straight to an NGO or was sent to a handling agent, in which case the process would take a week or two longer. The Secretariat explained that the five percent fee charged by UNDP was actually a small margin, and that some American NGOs charge 20 percent, particularly in Washington." In response to questions about travel of UNDEF personnel, the Acting Director recounted weighing the need to promote the Fund vs. the need to be frugal, and that requests for travel had been approved "perhaps only one in three times" by the Executive Director.

The Secretary General Supports Democracy:

¶8. (SBU) During a brief recess in the substantive meeting, Secretary General Ban Ki-moon arrived and spoke to the Board.

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He encouraged the work of the Board Members and Secretariat, noting that half of the approved UNDEF projects involved empowering women. In his view, the full and equal involvement of women in the democratic process was critical to democracy promotion, which is in turn, vital to the UN's overall mission. (The Secretary General's remarks are available on the UN website at www.un.org/democracyfund). Ambassador Miller thanked the Secretary General for his strong support, noting that the Fund's work in the areas of democracy, freedom, and respect for human rights supported the highest values in the UN system, and the highest

priorities of the U.S. Government. A number of other delegations also voiced appreciation for the Secretary General's support. The Japanese Deputy Permanent Representative attended the meeting as a guest participant, and commented on the importance of democracy and the work of UNDEF, noting the importance of democratic values as building blocks in developing a peaceful and free society. Japan donated US \$10 million dollars to the Fund in March, and is expected to assume a position on the Board next year.

Lessons Learned:

¶9. (SBU) As the meeting drew to a close, a "lessons learned" paper that had been generated by the Secretariat was considered. After a brief discussion of project funding, the group agreed with Ambassador Miller's suggestion that the proposals in the draft could be best approached at a later date in conjunction with the OIOS report, and with the guidance of the incoming Permanent Director. Substantive discussions would be continued at the expert level, and at the next meeting of the Board. Despite this postponement, France nevertheless voiced immediate support for an increased staffing request noted in the paper, and asked for an assessment of the budgetary impact of doubling the UNDEF staff. Given staff turnover, it was agreed that new project applications should be delayed, and accepted in September or October 2007. India proposed a ceiling of \$25 million dollars in the next round of funding, and again endorsed the US approach to the issues raised in the lessons learned paper. The meeting adjourned, with the next Board meeting now scheduled for June 21.

¶10. (SBU) Comment: USG efforts to guide the direction of UNDEF toward enhanced transparency and accountability seem to have taken root. The recent release of documents on income and expenditures, staff salaries, and the status of projects has clearly focused the attention and scrutiny of other Board members. USUN now finds itself allied with those from other regions who, without prompting, also pointed out managerial weakness and a pattern of excess. The U.S., India, Qatar, Chile, and to a lesser extent Australia were united in demanding greater accountability, fiscal responsibility, and results. The majority of Board Members are now questioning the Fund's leadership. On the other side, EU members, notably France, Hungary, and Germany, remain loyal to current management. Replacing the Acting Director and UNDEF staff with qualified and dedicated personnel remains the highest priority, and will be critical to the future success of the Fund. End Comment
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